

MENDOCINO COUNTY
YOUTH PROJECT
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

04640

ROBERTSON & ASSOCIATES, CPAs
A PROFESSIONAL CORPORATION

MENDOCINO COUNTY YOUTH PROJECT
INTRODUCTION
JUNE 30, 2008

The audit has the following objectives:

- To assess the adequacy of the systems and procedures for financial accounting, and compliance with rules and regulations, as well as internal control procedures in practice at the Mendocino County Youth Project.
- To determine the accountability for revenues, the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations.
- To determine whether financial and financially related reports to state and federal agencies are presented fairly and in accordance with governmental accounting standards.
- To determine the fairness of presentation of the Mendocino County Youth Project's financial statements.

MENDOCINO COUNTY YOUTH PROJECT
ORGANIZATION
JUNE 30, 2008

The Mendocino County Youth Project (Project), established in 1974, is a governmental Joint Powers Organization comprised of Mendocino County cities, the County Office of Education, and school districts. Its primary function is to provide counseling, crisis intervention, youth advocacy, information and referral, and youth services coordination for school-aged youth and their families. It presently serves the Mendocino County region from five geographic centers located throughout the county.

The Board of Directors has governance responsibilities over all of the Project's activities. Board members are appointed by individual Joint Powers members, and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Organization</u>
David Hulse-Stephens	Interim Chair	Willits Unified School District
Lura Damiano	Member	Fort Bragg Unified School District
Damon Dickinson	Member	Mendocino County Office of Education
Katie Merz	Member	Cities of Ukiah and Willits
Lynn Zimmerman	Member	Ukiah Unified School District

EXECUTIVE DIRECTOR

Karin Wandrei

FISCAL OFFICER

Valenda Apperson

ADDRESS OF ORGANIZATION OFFICE

776 South State Street, Suite 107
Ukiah, California 95482

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mendocino County Youth Project
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Mendocino County Youth Project (Project), as of and for the year ended June 30, 2008, which collectively comprise the Project's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Project's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Project as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Project. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Robinson & Associates, CPA's

Lakeport, California

March 24, 2009

MENDOCINO COUNTY YOUTH PROJECT
Management Discussion and Analysis
June 30, 2008

INTRODUCTION

Our discussion and analysis of the Mendocino County Youth Project's (Project) financial performance provides an overview of the Project's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the Project's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total primary government net assets were \$74,718 at June 30, 2008. This was a decrease of \$2,303 over the prior year.
- ❑ Overall revenues were \$1,029,573 which was exceeded by expenses of \$1,031,876.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the Project. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the Project operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Proprietary fund** statements report on a full accrual basis giving both short-term and long-term information about the fund's financial position.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the Project as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Project's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the Project's financial health or position.

- ❑ Over time, increases or decreases in the Project's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the Project, one needs to consider additional non-financial factors such as changes in the membership of the Project, the level of service delivery contracted for, program funding by the Federal and State governments, and availability of facilities.

The government-wide financial statements include all of the Project's basic services, such as counseling, crisis and outreach services, school services and general administration. Federal, state, and local grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Project's governmental funds-not the Project as a whole. Funds are accounting devices that the Project uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by State law. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Project is meeting legal responsibilities for using certain revenues. At this time the Project maintains governmental funds and proprietary funds as described below:

- ❑ Governmental funds – All of the Project's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Project's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- ❑ Proprietary funds – The Project maintains three small internal service funds which are used to account for the accumulated resources and the expenses associated with the provision of employee health, dental, and vision benefits. As these funds are used solely to provide for employees of the Project who are engaged in governmental activities the assets, liabilities, and net assets are included in the Statement of Net Assets as governmental activities, and the net change in retained earnings is allocated back to the governmental activities functions in the government-wide statement of activities.

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT AS A WHOLE

Net Assets

The Project's combined net assets were \$74,718 at June 30, 2008.

Net Assets

	Primary Government		
	Governmental Activities		Percent
	2008	2007	Change
ASSETS			
Cash	\$ 70,165	\$ 48,972	43.3 %
Accounts Receivable	155,844	141,686	10.0 %
TOTAL ASSETS	<u>\$ 226,009</u>	<u>\$ 190,658</u>	<u>18.5 %</u>
LIABILITIES			
Deficit in County Treasury	\$ -	\$ 81,665	(100.0 %)
Accounts Payable	125,191	9,204	1,260.2 %
Deferred revenue	9,474	1,058	795.5 %
Long-Term Debt	16,626	21,710	(23.4 %)
TOTAL LIABILITIES	<u>\$ 151,291</u>	<u>\$ 113,637</u>	<u>33.1 %</u>
NET ASSETS			
Restricted	\$ 4,857	\$ 7,434	(34.7 %)
Unrestricted	69,861	69,587	0.4 %
TOTAL NET ASSETS	<u>\$ 74,718</u>	<u>\$ 77,021</u>	<u>(3.0 %)</u>

Changes in Net Assets

The Project's total revenues were \$1,029,573. Program revenues were in the form of Federal (67%), State (2%), local government grants (19%), School districts (7%), private foundations (1%) and other (4%).

The total cost of all programs and services was \$1,031,876 spread among the Project's five program functions and administration as follows: Counseling (49%), Crisis and Outreach (17%), School Services (16%), Substance Abuse Education and Services (1%), and Share (16%). Administrative activities accounted for just 1% of total costs.

Changes in Net Assets

	Primary Government		
	Governmental Activities		Percent
	2008	2007	Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 1,155	\$ 630	83.3 %
Operating Grants & Contributions	992,807	1,133,217	(12.4 %)
General Revenues:			
Interest	1,464	-	N/A
Miscellaneous	34,147	(1,022)	(3,441.2 %)
TOTAL REVENUES	1,029,573	1,132,825	(9.1 %)
PROGRAM EXPENSES			
Counseling	510,476	564,566	(9.6 %)
Crisis and Outreach	170,262	333,085	(48.9 %)
School Services	164,127	197,905	(17.1 %)
Substance Abuse	10,697	12,394	(13.7 %)
General Administration	14,585	12,722	14.6 %
Share	161,729	-	N/A
TOTAL EXPENSES	1,031,876	1,120,672	(7.9 %)
INCREASE IN NET ASSETS	\$ (2,303)	\$ 12,153	(119.0 %)

Governmental Activities

The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Net Cost of Services

	Primary Government		Percentage Change
	Net Cost of Services		
	2008	2007	
Counseling	\$ 28,515	\$ 2,534	(1,025.3 %)
Crisis and Outreach	(6,513)	2,150	(402.9 %)
School Services	6,785	902	652.2 %
Substance Abuse	(5,458)	(1,236)	341.6 %
General Administration	14,585	(17,525)	(183.2 %)
Share	-	-	0.0 %
TOTAL	\$ 37,914	\$ (13,175)	(387.8 %)

The Project's program services are essentially self-sustaining with program revenues. In particular, Medi-Cal reimbursable counseling services should have a positive impact on future Project budgets.

FINANCIAL ANALYSIS OF THE PROJECT'S FUNDS

The financial performance of the Project as a whole is reflected in its governmental funds as well. As the Project completed the year, its governmental funds reported a combined fund balance of \$42,011, a decrease of \$9,359 over last year's ending fund balance of \$51,370. The primary reason for this decrease is that increases to program expenses exceed program revenues.

Project Funds

FUNDS	Primary Government		Percentage Change
	Governmental Activities		
	2008	2007	
Governmental:			
General fund	\$ 42,011	\$ 51,370	(18.2 %)
TOTAL GOVERNMENTAL FUNDS	<u>\$ 42,011</u>	<u>\$ 51,370</u>	<u>(18.2 %)</u>
Proprietary:			
Governmental Activities			
Internal Service Funds:			
Health fund	\$ 8,321	\$ 8,768	(5.1 %)
Dental fund	16,088	15,573	3.3 %
Vision fund	24,924	23,020	8.3 %
TOTAL PROPRIETARY FUNDS	<u>\$ 49,333</u>	<u>\$ 47,361</u>	<u>6.5 %</u>
TOTAL ALL FUNDS	<u>\$ 91,344</u>	<u>\$ 98,731</u>	<u>(11.7 %)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Project revised its annual budget to reflect unexpected changes in revenues and expenditures. The original budget was approved October 25, 2007. A schedule of the Project's original and final budget amounts compared with actual revenues and expenses is provided in the financial of the audited financial report. The final actual revenues were .73% less than budgeted, and expenditures were 12.77% less than budgeted. **Overall, the Project decreased the fund balance by 18.22%.**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Project had one capital asset above the capitalization threshold that was fully depreciated; a van, with an original cost of \$11,647.

Long-Term Debt

At year end, the Project had \$16,626 in debt, consisting entirely of the accrual for compensated absences payable. There were no additions to the Project's long-term debt in the 2007/2008 year.

Long-Term Debt

	Primary Government		Percentage
	Governmental Activities		
	2008	2007	Change
Compensated Absences	\$ 16,626	\$ 21,710	(23.4 %)
TOTAL LONG TERM DEBT	\$ 16,626	\$ 21,710	(23.4 %)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the Project was aware of several circumstances that could affect its future financial health:

- ❑ The uncertainty of federal and state funding can have a profound impact on the financial health of the Project. However, new funding streams have increased from non-federal sources, local county funding and State awards, with anticipated on-going support. The Eriksen Foundation, will continue to provide funding for next year. Also, a recent award from the United Way program ensures the ability to provide mental health services at the Transitional Living Program and will further stabilize this program. As well, the grant award for TLP increased \$42,204 in future years. The Medi-Cal program is proving to be self-sustaining and continues to have a positive impact on future Project budgets. Contrary to a downward spiraling economy, community members have increased their donations to the Youth Project, not only financially but through our volunteer program.
- ❑ Rising employer payroll costs for workers compensation insurance and PERS retirement benefits have had a significant impact on the Project over the years. The 2008/2009 rates appear to be stabilizing.
- ❑ The Board's approval to allow the Youth Project to assist staff with increasing health premiums by allowing the Project to meet the out-of-pocket costs per staff resulted in eliminating Project paid Dental Insurance. Staff agreed to provide their own finances to pay for Dental benefits, to maintain their health insurance premiums at a lower rate.
- ❑ Declining enrollment in Mendocino County Schools, in combination with the budget shortfalls expected in the California public education community have impacted the Project and is expected to have a negative financial impact in future years. The Project hopes to collaborate with schools to apply for other funding that will support the mission of the Youth Project and enhance school programs.

CONTACTING THE PROJECT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Project's finances and to demonstrate the Project's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Valenda Apperson, Chief Fiscal Officer, at 776 South State Street, Suite 107, Ukiah, CA 95482, (707) 463-4915.

FINANCIAL SECTION

MENDOCINO COUNTY YOUTH PROJECT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government	Component Units		Total
	Governmental Activities	Mendocino Family and Youth Services	Big Brothers Big Sisters of Mendocino	(Memorandum Only) Reporting Entity
ASSETS				
Cash and cash equivalents	\$ 70,165	\$ 12,286	\$ 38,724	\$ 121,175
Accounts receivable	155,844	14,570	114,647	285,061
MCYP - note receivable		111,423	-	111,423
Buildings, net of accumulated depreciation	-	-	342,907	342,907
Total Assets	<u>\$ 226,009</u>	<u>\$ 138,279</u>	<u>\$ 496,278</u>	<u>\$ 860,566</u>
LIABILITIES				
Accounts payable	\$ 125,191	\$ 20,249	\$ 13,879	\$ 159,319
Compensated absences			14,850	14,850
Security deposits	-	-	1,750	1,750
Deferred revenue	9,474	73,373	24,796	107,643
Long-Term Liabilities:				
Due within one year:	16,626	-	3,026	19,652
Due after one year:	-	-	199,004	199,004
Total Liabilities	<u>\$ 151,291</u>	<u>\$ 93,622</u>	<u>\$ 257,305</u>	<u>\$ 502,218</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 140,877	\$ 140,877
Restricted for:				
Employee vested benefits	4,857	-	-	4,857
Unrestricted Reported In:				
General fund	26,541	-	-	26,541
Internal service funds	43,320	-	-	43,320
Component units	-	44,657	98,096	142,753
Total Net Assets	<u>\$ 74,718</u>	<u>\$ 44,657</u>	<u>\$ 238,973</u>	<u>\$ 358,348</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Units	
					Mendocino Family and Youth Services	Big Brothers Big Sisters of Mendocino
PRIMARY GOVERNMENT						
Governmental Activities:						
Counseling	\$ 510,476	\$ -	\$ 481,961	\$ (28,515)		
Crisis and outreach	170,262	-	176,775	6,513		
School services	164,127	-	157,342	(6,785)		
Substance abuse	10,697	1,155	15,000	5,458		
General administration	14,585	-	-	(14,585)		
Share	161,729	-	161,729	-		
Total Governmental Activities	<u>\$ 1,031,876</u>	<u>\$ 1,155</u>	<u>\$ 992,807</u>	<u>(37,914)</u>		
COMPONENT UNITS						
Mendocino Family and Youth Services	<u>\$ 148,589</u>	<u>\$ 6,952</u>	<u>\$ 150,100</u>		\$ 8,463	
Big Brothers Big Sisters of Mendocino	<u>\$ 640,994</u>	<u>\$ 32,970</u>	<u>\$ 595,456</u>			\$ (12,568)
GENERAL REVENUES						
Interest and investment earnings				1,464	-	775
Miscellaneous				34,147	-	42,322
Total General Revenues				35,611	-	43,097
Change in Net Assets				(2,303)	8,463	30,529
Net Assets - Beginning				77,021	36,194	208,444
Net Assets - Ending				<u>\$ 74,718</u>	<u>\$ 44,657</u>	<u>\$ 238,973</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	Governmental Fund <u>General Fund</u>
ASSETS	
Cash	\$ 20,832
Accounts receivable	<u>155,844</u>
Total Assets	<u>\$ 176,676</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 125,191
Deferred revenue	<u>9,474</u>
Total Liabilities	<u>134,665</u>
Fund Balances:	
Reserved for:	
Revolving fund	1,500
Unreserved:	
Undesignated, reported in:	
General fund	<u>40,511</u>
Total Fund Balances	<u>42,011</u>
Total Liabilities and Fund Balances	<u>\$ 176,676</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds	\$ 42,011
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Amounts reported for assets and liabilities for governmental activities in the Statement of Net Assets differ from amounts reported in governmental funds as follows:

In governmental funds, only current liabilities are reported. In the of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of compensated absences payable.	(16,626)
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The Project uses internal service funds to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.	<u>49,333</u>
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Total net assets, governmental activities	<u><u>\$ 74,718</u></u>
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MENDOCINO COUNTY YOUTH PROJECT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Fund <u>General Fund</u>
REVENUES	
Federal	\$ 694,185
State	20,385
School districts	69,004
Other local government	194,697
Private foundations	10,200
Other	<u>41,102</u>
Total Revenues	<u>1,029,573</u>
EXPENDITURES	
Counseling	510,476
Crisis and outreach	177,318
School services	164,127
Substance abuse	10,697
General administration	14,585
Share	<u>161,729</u>
Total expenditures	<u>1,038,932</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,359)
Fund Balance - Beginning	<u>51,370</u>
Fund Balance - Ending	<u><u>\$ 42,011</u></u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total change in fund balances - governmental funds	\$ (9,359)
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Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid, and compensated absences earned is as follows:

5,084

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, net revenues of internal service funds must be added to the governmental funds as follows:

1,972

Change in net assets of governmental activities	\$ <u>(2,303)</u>
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MENDOCINO COUNTY YOUTH PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal	\$ 829,174	\$ 696,035	\$ 694,185	\$ (1,850)
State	20,000	20,385	20,385	-
School districts	96,688	69,006	69,004	(2)
Other local government	151,323	194,695	194,697	2
Private foundations	-	10,300	10,200	(100)
Other	1,815	46,767	41,102	(5,665)
Total Revenues	<u>1,099,000</u>	<u>1,037,188</u>	<u>1,029,573</u>	<u>(7,615)</u>
EXPENDITURES				
Salaries	706,915	703,352	609,249	94,103
Benefits	235,555	224,623	194,428	30,195
Supplies and materials	61,715	53,489	48,382	5,107
Services, other operating	202,750	209,601	186,873	22,728
Total Expenditures	<u>1,206,935</u>	<u>1,191,065</u>	<u>1,038,932</u>	<u>152,133</u>
Excess (deficiency) of revenues over (under) expenditures	(107,935)	(153,877)	(9,359)	144,518
Fund Balance - Beginning	<u>51,370</u>	<u>51,370</u>	<u>51,370</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (56,565)</u>	<u>\$ (102,507)</u>	<u>\$ 42,011</u>	<u>\$ 144,518</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET ASSETS
 JUNE 30, 2008

	Governmental Activities - Internal Service Funds			
	Health Fund	Dental Fund	Vision Fund	Total
ASSETS				
Cash	\$ 8,321	\$ 16,088	\$ 24,924	\$ 49,333
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 8,321</u>	<u>\$ 16,088</u>	<u>\$ 24,924</u>	<u>\$ 49,333</u>
LIABILITIES				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS				
Restricted:				
Employee vested benefits	4,857	-	-	4,857
Unrestricted:				
Designated	1,156	-	-	1,156
Retained earnings	<u>2,308</u>	<u>16,088</u>	<u>24,924</u>	<u>43,320</u>
Total Net Assets	<u>8,321</u>	<u>16,088</u>	<u>24,924</u>	<u>49,333</u>
Total Liabilities and Net Assets	<u>\$ 8,321</u>	<u>\$ 16,088</u>	<u>\$ 24,924</u>	<u>\$ 49,333</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Funds			
	Health Fund	Dental Fund	Vision Fund	Total
OPERATING REVENUES				
Other local revenue	\$ 481	\$ 18,687	\$ 4,363	\$ 23,531
Total Operating Revenues	481	18,687	4,363	23,531
OPERATING EXPENSES				
Contract services and operating expenditures	928	18,172	2,459	21,559
Total Operating Expenses	928	18,172	2,459	21,559
Increase (Decrease) in Net Assets	(447)	515	1,904	1,972
Net Assets - Beginning	8,768	15,573	23,020	47,361
Net Assets - Ending	<u>\$ 8,321</u>	<u>\$ 16,088</u>	<u>\$ 24,924</u>	<u>\$ 49,333</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Funds			
	Health Fund	Dental Fund	Vision Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to/on behalf of employees	\$ 481	\$ 18,752	\$ 4,363	\$ 23,596
Payments for benefits	(928)	(18,348)	(2,459)	(21,735)
Net Cash Provided (Used) by Operating Activities	(447)	404	1,904	1,861
Net Increase (Decrease) in Cash	(447)	404	1,904	1,861
Cash Balance - Beginning	8,768	15,684	23,020	47,472
Cash Balance - Ending	<u>\$ 8,321</u>	<u>\$ 16,088</u>	<u>\$ 24,924</u>	<u>\$ 49,333</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:				
Increase (Decrease) in Net Assets	\$ (447)	\$ 515	\$ 1,904	\$ 1,972
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities provided (used) by operating activities:				
Increase (Decrease) in:				
Receivables, net	-	65	-	65
Accounts Payable	-	(176)	-	(176)
Net Cash Provided (Used) by operating activities	<u>\$ (447)</u>	<u>\$ 404</u>	<u>\$ 1,904</u>	<u>\$ 1,861</u>

The notes to the financial statements are an integral part of this statement.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Mendocino County Youth Project (Project), established in 1974, is a Governmental Joint Powers Organization comprised of the Mendocino County Office of Education, Mendocino County School Districts, and two Mendocino County Cities. Its primary function is to provide counseling, crisis intervention, youth advocacy, information and referral, and youth services coordination for school-aged youth and their families.

The Board of Directors has governance responsibilities over all of the Project's activities. Board members are appointed by individual Joint Powers members, and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

B. Accounting Policies

The Project prepares its basic financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Project has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Project has chosen not to do so.

C. Reporting Entity

The Board is appointed by the members and elected by the joint powers representatives. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The Project is therefore a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*.

The Project has reviewed criteria to determine whether other entities with activities that benefit the Project should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Project exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Project is the sponsoring agency for the Mendocino Family and Youth Services, Incorporated (MFYS) which is organized as a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. As the sponsoring agency, the Project has certain oversight responsibilities to ensure that the MFYS is in compliance with applicable laws and regulations. The Project is liable for the debts and obligations of MFYS. The Project has therefore determined that MFYS meets the criteria for inclusion in the financial reporting entity as a discretely presented component unit.

The Project is also the sponsoring agency for the Big Brothers Big Sisters of Mendocino County, Incorporated (BBBS) which is organized as a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. As the sponsoring agency, the Project has certain oversight responsibilities to ensure that BBBS is in compliance with applicable laws and regulations. The Project has therefore determined that BBBS meets the criteria for inclusion in the financial reporting entity as a discretely presented component unit.

The Project has determined that MFYS and BBBS meet the above criteria for inclusion in the Project's financial statements as discretely presented component units. The MFYS and BBBS are more fully described in Note 8. The Project is not aware of any entity that would exercise such oversight responsibility that would result in the Project being considered a component unit of that entity.

D. Future Implementation of New Accounting Pronouncements

In July of 2004, the GASB issued GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented by the Project during the fiscal year ending June 30, 2010. The new statement will significantly change the way state and local governments report its "other postemployment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Project and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Project's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Project does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Project, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Project.

The financial transactions of the Project are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses, as appropriate.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized in to a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The Project does not have any non-major funds.

The Project's accounts are organized into major and proprietary funds as follows:

Major Governmental Fund:

The *General Fund* is the general operating fund of the Project. It is used to account for all financial resources except those required to be accounted for in another fund.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the Project. The Project maintains one internal service fund with three components:

1. Health Fund

The purpose of the Health Fund is to reduce health costs to the employee. The plan establishes a set amount of money per year that each covered employee may deposit into a separate fund. The employee is entitled to have medically related expenses reimbursed from his/her portion of the fund.

2. Dental Fund

The purpose of the Dental Fund is to provide dental benefits for covered members.

3. Vision Fund

The purpose of the Vision Fund is to provide vision benefits for covered members.

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements.

1. Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the Project receives value without directly giving equal value in return, include grants, and entitlements. Under the accrual basis, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Project must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Project on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

3. Expenses/Expenditures

Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the Project's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Project's governing board satisfied these requirements.

These budgets are revised by the Project's governing board and Project Director during the year to give consideration to unanticipated revenue and expenditures. The original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The Project employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The Project considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state and local governments for various programs.

3. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Vehicles

7

4. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated vacation is not accrued in governmental funds. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the Project. The Project's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

5. Long-Term Obligations

The Project reports long-term obligations of governmental funds at face value in the government-wide financial statements

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fund Balance Reserves and Designations

In the governmental fund financial statements, reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserves for revolving fund, inventories, prepaid expenditures, and legally restricted programs reflect the portions of fund balance that are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource use in a future period that are subject to change.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

NOTE 2. CASH

Cash at June 30, 2008 are classified in the accompanying financial statements as follows:

	Primary Government			Component
	General Fund	Internal Service	Total Governmental	Units
Cash:				
Pooled Funds:				
Cash in county treasury	\$ 19,332	\$ 49,333	\$ 68,665	\$ 49,710
Deposits:				
Cash on hand and in banks	500	-	500	-
Cash in revolving fund	1,000	-	1,000	1,300
Total Cash	<u>\$ 20,832</u>	<u>\$ 49,333</u>	<u>\$ 70,165</u>	<u>\$ 51,010</u>

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2. CASH (Continued)

Cash in County Treasury

In accordance with *Education Code* 41001, the Project maintains substantially all of its cash in the Mendocino County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distribute to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the County Office's Investment Policy

The table below identifies the investment types authorized for the County Office by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2. CASH (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	n/a	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Funds (LAIF)	n/a	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be effected by changes in market interest rates. As of June 30, 2008, the weighted average maturity of the investments contained in the Treasury investment pool was not available.

Credit Risk

Generally, credit risk, is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Project's deposits may not be returned to it. The Project does not have a formal policy for custodial credit risk for deposits.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2. CASH (Continued)

Cash balances in banks and revolving funds are insured up to \$100,000 (temporarily increased to \$250,000 from October 3, 2008 through December 31, 2009) by the Federal Depository Insurance Corporation. In addition, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the Project's bank balance was fully insured.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the Project will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consist of the following:

	Primary Government			
	General Fund	Internal Service	Total Governmental	Component Units
Accounts Receivable:				
Federal	\$ 101,352	\$ -	\$ 101,352	\$ 107,687
Other local government	39,629	-	39,629	20,942
Other	14,863	-	14,863	588
Total Accounts Receivable	<u>\$ 155,844</u>	<u>\$ -</u>	<u>\$ 155,844</u>	<u>\$ 129,217</u>

NOTE 4. COMPENSATED ABSENCES

Accumulated vacation is not accrued in governmental funds. It must be paid to an employee upon termination, but it is generally applied in the year earned or a succeeding year. The Project has reported an estimated liability due within one year in the amount of \$16,626 relative to compensated absences earned but not used at June 30, 2008. Expenditures related to this liability are accounted for in the fund in which the related salaries are recorded.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt of the Project's primary government for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due within One Year
Compensated absences	\$ 21,710	\$ -	\$ 5,084	\$ 16,626	\$ 16,626
Totals	<u>\$ 21,710</u>	<u>\$ -</u>	<u>\$ 5,084</u>	<u>\$ 16,626</u>	<u>\$ 16,626</u>

NOTE 6. RESERVED FUND BALANCES

The Project, in common with school districts in Mendocino County, maintains the Health Fund to accumulate a health side-fund for eligible employees.

The employee is entitled to have insurance claims paid from his/her portion of the fund. Any fund balance remaining at the end of the year is credited to the employee's account. The Project retains the interest on the fund and pays all operating costs of the fund. When an employee terminates employment, that employee is entitled to the balance in the respective account if he or she meets additional collectively-agreed upon criteria.

The June 30, 2008, fund net assets have been allocated as shown in the statement of proprietary net assets.

The retained earnings and potentially vested net assets are due to interest earned and the amount contributed for terminated employees who terminated prior to the end of the policy year then in force, and 2007/2008 amounts which are scheduled for transfer to the employees' vested balance prior to June 30, 2008.

NOTE 7. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The Project has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 8. DISCRETELY PRESENTED COMPONENT UNITS

Mendocino Family and Youth Services, Incorporated (MFYS) is a private non-profit agency. It was established to promote youth services in Mendocino County by developing programs and assisting the Project in carrying out its mandate to provide needed services to children, youth, and their families.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Big Brothers Big Sisters of Mendocino County, Incorporated (BBBS) is a private non-profit agency. Its primary purpose is to organize, under professional direction, a body of mature and responsible adult and adolescent volunteers who will interest themselves in the well-being of youths who are in need of adult role models, through the process of relating to them as older brothers and sisters.

As described in Note 1, financial statements relating to both organizations have been included in the financial statements of the Project in a discrete presentation to disclose the reporting entity as a whole. MFYS and BBBS also issue audited annual financial reports which may be obtained from the MFYS office at 776 South State Street, Suite 107, Ukiah, CA 95482 and the BBBS office at 498 N. McPherson Street, Fort Bragg, CA 95437.

NOTE 9. DENTAL AND VISION SELF-INSURANCE FUNDS

The Project maintains self-insurance for negotiated employee dental and vision benefits. These activities are accounted for in self-insurance funds, the sole purpose of which is to service the other governmental funds. The assets, liabilities, and net assets of these funds are included in the Project's government wide financial statements however revenues and expenditures are eliminated to prevent duplication. Fund net assets at June 30, 2008 were in the amount of \$41,012.

NOTE 10. STAYWELL FOUNDATION EMPLOYEE HEALTH TRUST FUND

The purpose of the Staywell Foundation Employee Health Trust Fund is to provide a side fund as a benefit to employees for use in reimbursing eligible medical expenses. The plan establishes a set amount of money per year for each covered employee to be deposited into this fund.

The employee is entitled to have insurance claims paid from his/her portion of the fund. Any fund net assets remaining at the end of the year is credited to the employee's account. The Project retains the interest on the fund and pays all operating costs of the fund. When an employee terminates employment, that employee is entitled to the balance in the respective account if her or he meets additional collectively-agreed upon criteria.

The June 30, 2008, fund net assets have been allocated as shown in the statement of proprietary funds assets.

The undesignated fund net assets are due to interest earned and the amount contributed for terminated employees who terminated prior to the end of the policy year then in force, and 2007/2008 amounts which are scheduled for transfer to the employees' vested balance prior to June 30, 2008.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by an agency of the State of California. The Agency's classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalPERS:

Plan Description and Provisions - The Project contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy - Active plan members are required to contribute 9.306% of their salary and the Project is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2007/2008 was 9.116% of annual payroll. The contribution requirements of the plan members are established by State statute. The Agency's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007, and 2006 were \$56,767, \$55,497, and \$46,495, respectively and equal 100% of the required contributions for each year.

On Behalf Payment:

The State of California makes contributions to PERS on behalf of the Project. These payments consist of State General Fund contributions to PERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

Social Security:

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (PERS) must be covered by social security or an alternative plan. The Project has elected to use Social Security.

MENDOCINO COUNTY YOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12. CONTINGENT LIABILITIES / SUBSEQUENT EVENTS

As of the date of this report, there are no known contingent liabilities or significant subsequent events relating to the Project.

SUPPLEMENTARY INFORMATION SECTION

MENDOCINO COUNTY YOUTH PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Health and Human Services:			
Direct Funding:			
Transitional Living Program	93.550	****	\$ 167,808
Basic Center Program	93.623	****	143,182
Total Direct Funding			310,990
Passed through Mendocino County Department of Mental Health:			
Medi-Cal Billing Option	93.778	****	253,206
Total U.S. Department of Health and Human Services			564,196
U.S. Department of Justice:			
Passed through California Governor's Office of Emergency Services:			
Child Abuse Treatment	16.575	****	119,204
Juvenile Justice and Delinquency Prevention	16.540	****	10,785
Total U.S. Department of Labor			129,989
Total Federal Categorical Aid Programs			\$ 694,185

**** The Project does not assign identifying numbers to pass through funds.

NOTE 1. BASIS OF PRESENTATION

A. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the Project and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Mendocino County Youth Project
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Mendocino County Youth Project (Project) as of and for the year ended June 30, 2008, which collectively comprise the Project's basic financial statements and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Project's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Project's financial statements that is more than inconsequential will not be prevented or detected by the Project's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Project's internal control.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above as material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Project's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Project's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Associates, CPAs

Lakeport, California
March 24, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Mendocino County Youth Project
Ukiah, California

Compliance

We have audited the compliance of the Mendocino County Youth Project (Project) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Project's management. Our responsibility is to express an opinion on the Project's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Project's compliance with those requirements.

In our opinion, the Project complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the Project is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Project's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Associates, CPAs

Lakeport, California
March 24, 2009

FINDINGS AND RECOMMENDATIONS SECTION

MENDOCINO COUNTY YOUTH PROJECT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>unqualified</u>		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Type of auditor's report issued on compliance for major programs:	<u>unqualified</u>		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u> </u> Yes	<u> X </u> No	

Identification of major program

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>16.575</u>	<u>Child Abuse Treatment</u>
<u>93.623</u>	<u>Basic Center Program</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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MENDOCINO COUNTY YOUTH PROJECT
FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

2008-1 Separation of Duties / Internal Controls

Condition

At the Project, closing entries are predominately being done by only one employee.

Effect

Possible misappropriation of funds, misstatement of financial information and undue liability for the management of the Project could occur.

Cause

Due to the size of the Project, there are only two employees that have the skills to complete the budget and closing cycles.

Criteria

Accounting practices prescribe the use of several people to establish adequate segregation of duties.

Recommendation

Although the budgeting and closing cycles were accomplished without any problems noted, it should be understood that good accounting practices describe the use of additional employees for proper segregation of duties. This also lends itself to reducing potential problems and liability for the management.

Project Response and Action Plan

Although the agency is limited in accounting staff, it has retained the previous Chief Financial Officer as a consultant to provide assistance and to reconcile and approve journal entries on a quarterly basis. This is an assist to reducing possible errors and mispostings.

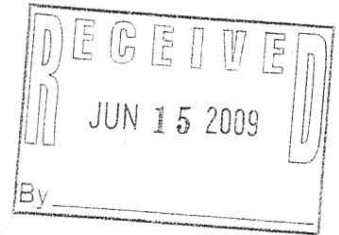
MENDOCINO COUNTY YOUTH PROJECT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding/Recommendation	Current Status	Project Explanation, If Not Implemented
2007-1 The General Fund reported accounts receivable in the amount of \$141,686 due from the Federal and Local government grants, the majority in connection with the Basic Center, CHAT, and Transitional Living programs which are in excess of the deficit cash balance reported. The lag-time between the receipt of federal and local reimbursements and the use of this cash has proven consistent over time. A more permanent solution should be considered to remedy this imbalance.	Implemented	
2007-2 The Project should review the reconciliation of the revolving account to the bank statement for accuracy at the time of the monthly bank reconciliation. The Project should also make any necessary transfers and adjustments to the revolving account in the 2007/2008 year to bring the balance back to the proper recorded imprest balance.	Implemented	
2007-3 The Project should improve utilization of a charting check list on a regular basis to insure the timely submission of items to MCMH, documentation of items in the charts and to facilitate the review of approved hours, type of service to be provided and approved time period.	Partially Implemented	
2007-4 We recommend that a check list be developed for program service providers to facilitate the review that all the required forms have been completed and are included in the file. Standardize program forms to include required information currently located in notes or other documents and eliminate or clearly mark "Official Use only" sections that are not applicable.	Partially Implemented	

Mendocino County Youth Project

Supporting the development of youth and families in Mendocino County since 1974

www.mcyp.org



April 22, 2009

Phyllis Y. Banks
Governor's Office of Emergency Services
Grants Management Branch
3650 Schriever Ave
Mather, CA 95655

Dear Phyllis,

Enclosed is the audit for Fiscal Year ending June 30, 2008. We receive VOCA funding for our CHAT Program.

The CHAT Award numbers are:

AT 04018526
AT 05028526
AT 06038526
AT 07048256

Sincerely,

Valenda Apperson, Fiscal Manager
Mendocino County Youth Project
776 So. State St. #107
Ukiah, CA 95482

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